RETIREMENT PLAN

FOR

CHICAGO TRANSIT AUTHORITY EMPLOYEES

The 374th Meeting of the Retirement Allowance Committee was held on Tuesday, February 19, 1980, in the Board Room, Room 734, Merchandise Mart. The following were in attendance:

Mr. S. Bianchi          Mr. E. Langosch
Mr. R. Goldman          Mr. J. Weatherspoon
Mr. P. Kole

Mr. J. Edwards, alternate for Mr. T. O'Mahony;
Mr. C. Heatter, alternate for Mr. W. Ashley; Mr. H. Hegarty,
alternate for Mr. W. Spears; Mr. F. Mullen, alternate for
Mr. S. Miller; and Mr. S. Wool, alternate for Mr. E. Brabec,
were also present.

Messrs. M. Brennan and L. Morris were present.

Mr. E. Hamilton, Mr. W. Leszinske, Ms. D. Wilson, Ms. K. Alsip
of the Continental Bank and Messrs. P. Riley and R. Zuccaro of the
Axe Houghton Stock Fund were also present. Mr. R. Burke, the Plan
Attorney, was also present.

The Chairman called the meeting to order at 10:40 A.M.

Mr. Heatter stated that since Mr. Ashley could not be
present, the Committee must elect a Secretary Pro Tempore.

On a motion by Mr. Kole, seconded by Mr. Hegarty, the
Committee unanimously elected Mr. Heatter as Secretary Pro Tempore.
Mr. Leszinske distributed his letter to the Committee, dated February 15, 1980, titled "January Market Summary." He indicated, in reference to his letter, that with the increased anticipation of a lasting high rate of inflation the prices of existing bond issues had declined sharply, which resulted in higher yields. He stated that more than 50% of the money currently held in the Fixed Income Account is invested in short-term cash and equivalents with annual yields of over 13%.

Mr. Leszinske then briefly discussed the recently released economic statistics and action of the Federal Reserve Board both of which indicated continued double digit inflation.

Mr. Hamilton then explained that his letter distributed to the Committee, dated February 15, 1980, was to clarify his letter of January 11, 1980 presented at the Committee Meeting of January 21, 1980. The new rates approved at the last meeting (shown below) applied only to the money which Continental Bank actively managed in the Fixed Income Account.

<table>
<thead>
<tr>
<th>Old</th>
<th>New</th>
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<tbody>
<tr>
<td>1st Million</td>
<td>5.00</td>
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<tr>
<td>Next 4 Million</td>
<td>3.50</td>
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<td>Next 20 Million</td>
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<tr>
<td>Next 51 Million</td>
<td>1.00</td>
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<td></td>
<td></td>
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<tr>
<td>Less 15%</td>
<td>-14,250</td>
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<td>$80,750</td>
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There ensued a discussion in which it was pointed out that their fees in the capacity of Trustee/Custodian for the portion of the Fund managed by the other investment managers were different than those in their capacity as Trustee (and active manager) of the Fixed Income Fund. Mr. Hamilton concluded his presentation at 10:55 A.M.

Mr. P. Reily of E. W. Axe & Co., Inc. began by indicating that their fee schedule was being revised upwards to that described on the sheet entitled "Comparison E. W. Axe, Inc. Old Fee Schedule to Proposed Fee Schedule for 1980." He stated that the 1979 performance of the CTA Fund was very good at 27.33% compared with the Standard and Poors Market Index performance of 18.53% and their Axe Houghton Stock Fund with 23.75%. He acknowledged that the CTA Fund had not, in the past, emulated the Axe Houghton Fund precisely. He pointed out that since the Axe Houghton Fund does not have the tax-exempt status as does the CTA Fund, the holdings in the CTA Fund did not include every issue in the Axe Houghton Fund. That is, there were issues in the Axe Houghton Fund slated for selling which was delayed due to the tax consequences. This has caused a lag in the similarity between the Funds which has presently been virtually eliminated. The two Funds are now very close and will remain so in the future. He then discussed their investment philosophy as being a cautious
one due to the current inflationary environment with a widely anticipated economic recession at hand. They have increased their interest bearing reserves in anticipation of a stock price decline and the opportunity to buy at lower prices. During 1979, contrary to their expectations, the stocks in the Fund substantially outperformed these interest bearing reserves. Returning to the proposed fee revision, he stated that everyone was painfully aware of the current inflation rate and none needed further reminding of it. He then introduced Mr. R. Zuccaro, who is in immediate control of the management of the CTA Fund.

Mr. Zuccaro presented a detailed report of the holdings of the CTA Fund. Generally, the assets are in the fields of energy, technology, and the service sector which he terms protective in view of the current economic environment. Mr. Zuccaro concluded his presentation at 11:12 A.M.

Immediately preceding the conclusion of Mr. Zuccaro's presentation, Mr. Kole was called out of the meeting.

Following Mr. Zuccaro's presentation, the representatives from Continental Bank and E. W. Axe left the meeting. Prior to leaving, Mr. Hamilton invited the Committee Members to lunch at the 30 N. LaSalle Street Building, after the conclusion of the meeting.

Mr. Edwards questioned the Committee as to whether or not the 17.9% increase proposed by E. W. Axe was negotiable.
He pointed out that there were still Governmental Wage and Price Guidelines to be considered as well as the fact that CTA Employees were not receiving increases of this proportion.

The Secretary replied that he would have to ask Mr. Reily if they were negotiable.

The Chairman requested the Secretary to report back to the Committee how Mr. Reily responded at the next meeting.

The Chairman asked for approval of the Minutes of the 373rd Meeting, held January 21, 1980.

Mr. Hegarty requested clarification of the payments (described on Page 11) made to Mr. Cipriani's widow. Mr. Heatter responded that the $8,000.00 was the proceeds of the Chicago Transit Authority Employees Contributory Group Life Insurance Policy.

On a motion by Mr. Edwards, seconded by Mr. Bianchi, the Committee unanimously approved the Minutes of the 373rd Meeting, held January 21, 1980.

Upon recognition by the Chairman, Mr. Morris related to the Committee Mr. O'Mahony's apologies for his comments at the last meeting regarding the case of Jerome Bradford.

The Secretary made the announcements of deaths reported since the last meeting, as per the attached list.
Mr. Hegarty questioned why there was no day given for the demise of M. Russ, only the month and year. The Secretary replied that an attorney in London, England had informed the Secretary's Office of the death of Mr. Russ in January but had not provided the exact date.

The Secretary presented four (4) Survivorship Options for approval. On a motion by Mr. Hegarty, seconded by Mr. Edwards, the Committee unanimously approved the Survivorship Options per the attached list.

The Secretary presented twenty-six (26) Applications for Retirement for approval. On a motion by Mr. Bianchi, seconded by Mr. Hegarty, the Committee unanimously approved the Applications for Retirement as presented.

The Secretary reported that Mr. Hilario J. Rosas had applied for Disability Retirement to be effective March 1, 1980, but had returned to duty, effective February 12, 1980, and his application was withdrawn.

The Secretary reported that ten (10) employees on Disability Retirement had been examined or had their records reviewed.

The Secretary presented twenty-six (26) refunds totaling $139,657.69 for approval. Upon recognition by the Chairman, Mr. Morris questioned the Committee regarding the refund due Mr. N. Walker, Jr.. Mr. Morris reported that he had been questioned
by a Credit Union official as to where the refund check was being mailed. The Secretary replied that Mr. Walker's wife had visited the Secretary's Office. Further, Mr. Walker had made proper application with a request that the refund check be mailed to the address shown on the attached list. On a motion by Mr. Mullen, seconded by Mr. Wool, the Committee unanimously approved the refunds to be paid on February 29, 1980, as per the attached list.

The Secretary reported that as shown in the Trustee Summary prepared by Compensation and Capital, Inc., for the period January 1, 1980 through January 31, 1980, the total book value of the Fund was $322,380,169.26 compared to the market value of $344,899,210.51. The Secretary pointed out that the gain realized on Sales plus the Interest and Dividend Income for the period exceeded 4 million dollars.

The Secretary presented seven (7) bills, totaling $189,201.19, for approval on February 29, 1980.

On a motion by Mr. Goldman, seconded by Mr. Hegarty, the Committee unanimously approved the bills, as per the attached list.

The Secretary presented twenty-two (22) Death Benefits, totaling $40,000.00, to be paid February 29, 1980, for approval.

On a motion by Mr. Goldman, seconded by Mr. Edwards, the Committee unanimously approved the Death Benefits, as per the attached list.
The Secretary asked the Committee for approval of the procedure "Retirement Contributions by Employees Occupying a Position with the Union." The Chairman stated there existed distinct differences of opinion in that Local 241 employees voted for the contributions to be made upon the basis of the runs last held plus 5%; whereas, Local 308 wanted contributions made based upon eight (8) hours plus 5%.

Upon recognition by the Chairman, Mr. Burke advised that the applicable rule be revised to reflect the option for the required contributions to be made in either one or the other fashion. The Chairman requested that Mr. Burke compose such a rule for presentation to the Committee.

The Secretary reported that there was no new activity regarding the sale of the Pitney-Bowes Mailing Machine. Attempts are being made to sell the machine "over the counter," but it did not look hopeful. The Secretary indicated that he will continue to monitor the progress and report to the Committee again.

The Secretary presented the interest factor to be used for the Plan Year January 1, 1979 through December 31, 1979 to be applied to contributions up to December 31, 1978. The Secretary advised that the gross income for the Plan Year ending December 31, 1979, including interest and dividends earned and net gains realized on sales of securities plus income from Real
Estate, was $17,957,049.28. The net income for that Plan Year, after deductions of $1,421,220.69 for Office and Fund Management expenses, was $16,535,828.59. Using the formula set forth in Paragraph 15.6 of the Plan, the net interest rate was 5.69%.

On a motion by Mr. Langosch, seconded by Mr. Wool, the Committee unanimously approved the setting of the interest rate at 2.85% for the Plan Year 1979.

The Secretary reported that, based upon newly submitted documents the birthdate of Mr. Bert Stewart who is employed as a Car Servicer has been established as January 15, 1916. Mr. Stewart's records had previously shown January 15, 1915. Following this determination, Mr. Stewart withdrew his application for retirement.

The Secretary reported that Mr. Wool, as Manager of Labor Relations, had recommended an extension of sixty (60) days for the repayment of refund period, provided for in Rule No. 21 of the Plan, be granted to Mr. Robert Vandiver, Badge No. 6663.

Mr. Vandiver had received a Refund of Contributions in the amount of $8,419.08 following his termination of employment by the CTA. Mr. Vandiver was reinstated on November 8, 1979 with full back pay. The original ninety (90) day period expired on January 22, 1980. However, the back pay has not yet been paid to Mr. Vandiver who states he will use that money to reimburse
the Retirement Plan.

On a motion by Mr. Goldman, seconded by Mr. Edwards, the Committee unanimously approved an extension of sixty (60) days be granted to Mr. Vandiver.

The Secretary reported that the Option Application for Mr. Charles F. Gerhos, approved at the Meeting of November 19, 1979, was withdrawn as he decided not to take the option.

The Secretary reported that the Option Application for A(2/3) by Mr. James J. Lahey, approved at the Meeting of September 17, 1979, was withdrawn as Mr. Lahey decided to take the Option B(2/3).

The Secretary presented a letter, dated February 1, 1980, from Mr. Michael Freydl of Callan Associates, Inc., which explained their current fee schedule. This had recently changed from $43,400 to $46,400 per year to reflect the increased auditing resulting from the creation of the two index funds and the inclusion of real estate funds in their data base.

On a motion by Mr. Bianchi, seconded by Mr. Langosch, the Committee unanimously approved the new fee for Callan Associates, Inc.

The Secretary requested approval for the purchase of a portable tape recorder, which would be used to record the presentations of the several Investment Managers for transcribing.
On a motion by Mr. Edwards, seconded by Mr. Bianchi, the Committee unanimously approved the purchase.

The Secretary distributed a letter, which is being sent to all retired employees, explaining that the Pension Section was using a new check effective February 29, 1980.

At 11:48 A.M., Mr. Bianchi was called out of the meeting.

The Secretary reported that the birthdate for Mr. Harry L. Johnson, who retired January 1, 1980, had been established as December 27, 1908. On his original employment application filed with the Chicago Motor Coach in 1946, Mr. Johnson stated his birthdate was December 27, 1914.

Mr. Johnson never responded to the request for additional proof of age sent out in 1973. During his pre-retirement interview on November 28, 1979 and again by letter, dated December 21, 1979, the Pensions Section requested documents as proof of his age.

Mr. Johnson visited the Pensions Office on February 13, 1980 and presented a Certification of Birth Verification issued in December 1977, a school record from the Chicago Board of Education issued in December 1977, and three insurance certificates issued in 1928. Based upon these documents, Mr. Johnson's date of birth was established as December 27, 1908.

The Secretary advised the Committee that as a result of this change in birthdate, in accordance with Section 9 of the
Retirement Plan, Mr. Johnson's monthly pension benefit was recomputed and will be adjusted from $581.20 to $290.43. Also, the contributions made to the Fund subsequent to his 65th birthday (December 27, 1973) would be refunded.

There followed a general discussion concerning the Plan provisions for normal retirement and contributions in relation to the recent Age Discrimination Act. Mr. Burke concluded the discussion by stating that while the Age Discrimination Act disallowed forceable retirement due to age, it did not require continued benefit accrual in pensions past age 65. Further, to alter these provisions in the Plan would require a negotiated agreement between the Authority and Bargaining Agents of the Authority.

Mr. Hegarty requested a listing of all employees who retired since 1971 and the gross pensions payable. The Secretary replied he would compile such a listing.

In response to a question from Mr. Hegarty, the Secretary indicated that the Annual Report could not be published until after both the Actuary and the Auditor had completed their report. He anticipates the Annual Report to be available in mid year 1980.
There being no further business, on a motion by Mr. Goldman, seconded by Mr. Bianchi, the Committee unanimously agreed to adjourn at 11:55 P.M.

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SECRETARY
RETIREMENT ALLOWANCE COMMITTEE

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CHAIRMAN
RETIREMENT ALLOWANCE COMMITTEE

DATED ______________________